

## Message Text

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ACTION NEA-11

INFO OCT-01 ISO-00 NEAE-00 SSO-00 NSCE-00 INRE-00  
ICAE-00 CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03  
NSAE-00 PA-01 SP-02 SS-15 SOE-02 AID-05 CEA-01  
COME-00 EB-08 DOE-15 INT-05 OMB-01 OES-09 STR-07  
TRSE-00 ACDA-12 FRB-03 XMB-02 OPIC-03 LAB-04  
SIL-01 EUR-12 MCT-02 GSA-02 /143 W  
-----004653 281419Z /53

O 281240Z SEP 78  
FM AMEMBASSY TEHRAN  
TO SECSTATE WASHDC IMMEDIATE 638

C O N F I D E N T I A L SECTION 1 OF 2 TEHRAN 9428

E.O. 11652:GDS  
TAGS: ENRG, ECON, PINS, IR  
SUBJ: RECENT DEVELOPMENTS IN THE OIL SECTOR

REF: STATE 246376

1. ON SEPTEMBER 23, THE LOCAL PRESS CARRIED SOMEWHAT CONTRA-  
DICTORY REPORTS OF AN EXPLOSION ON SEPT. 21 WHICH DESTROYED A  
SECTION OF THE 42-INCH PIPELINE (IGAT I) WHICH CARRIES ABOUT  
ONE BILLION SCF/DAY OF NATURAL GAS FOR EXPORT TO THE USSR.  
THE RUPTURE OCCURRED NEAR SAVEH, TO THE NORTH OF QUM.

2. THE EXPLOSION INVOLVED A SEVEN RPT SEVEN METER SECTION OF  
PIPE ALTHOUGH, DURING THE REPAIRS WHICH WERE COMPLETED IN JUST  
OVER 48 HOURS, 70 METERS OF PIPE WERE REPLACED. OUR SOURCES  
AT NIGC MAINTAIN THAT EXPLOSION RESULTED FROM CORROSION AND  
PIPE STRESS. HOWEVER, IN VIEW OF THE VERY UNUSUAL AMOUNT OF  
DIFFICULTY WE HAD IN OBTAINING INFORMATION ON EXPLOSION AS WELL  
AS THE INTENSE LEVEL OF ACTIVITY AT NIGC DURING THE PAST WEEK  
(INCLUDING, WE UNDERSTAND, A HURRIEDLY SCHEDULED MEETING BETWEEN  
THE PRIME MINISTER AD TOP NIGC OFFICIALS), WE DO NOT RULE  
OUT THE POSSIBILITY THAT TERRORISTS  
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MIGHT RPT MIGHT HAVE BEEN RESPONSIBLE.

3. RECENT RUMORS ABOUT IMMINENT DEPARTURE OF HUSHANG  
ANSARY (COMMENTED ON IN TEHRAN 8721 AND 8971) HAVE  
LARGELY SUBSIDED. WE HAVE HEARD THAT ANSARY IS ONE OF  
THOSE IDENTIFIED BY OPPOSITIONIST GROUPS AS ONE OF MANY  
IN GOVERNMENT WHO WILL HAVE TO GO. WHETHER FOR BAHAI

CONNECTIONS OR CORRUPTION OR BOTH IS NOT CLEAR ALTHOUGH BOTH ALLEGATIONS HAVE MADE THE RUMOR CIRCUIT. HOWEVER, SUCH RUMORS ARE CIRCULATING IN TEHRAN ABOUT MANY AND IT IS NOT AT ALL CLEAR THAT ANSARY HAS HAD IT. WE TEND TO DISBELIEVE THE EXISTENCE OF BAHAI CONNECTIONS AND THUS FAR THERE HAVE BEEN NO PUBLIC CHARGES OF CORRUPTION LEVIED AGAINST ANSARY. HE, AND NIOC, COULD OF COURSE BE CAUGHT UP IN THE ANTI-CORRUPTION DRIVE BUT IT IS A DEVELOPMENT THAT CANNOT BE PREDICTED.

4. THE DRIFT AT NIOC COMMENTED UPON IN REFTEL HAS BEEN EVIDENT FOR FAR LONGER THAN THE RUMORS ABOUT ANSARY'S LIKELY OUSTER. WE BELIEVE THAT THIS DRIFT IS LARGELY A REFLECTION OF (A) THE DEPARTURE IN FEBRUARY OF NIOC'S TWO BEST AND MOST EXPERIENCED DIRECTORS (MINA AND NABEGH), (B) THE LACK OF PRACTICAL OIL INDUSTRY EXPERIENCE OF ANSARY AND MEHRAN, AND (C) THE DIFFICULTY OF MOVING AN ORGANIZATION AS LARGE AND LETHARGIC AS NIOC. THE CONCERN ABOUT PROTECTING ONES SELF FROM THE POSSIBILITY OF AN OFFICIAL INVESTIGATION IS OF COURSE MUCH INCREASED AT PRESENT; AND, AS WE POINTED OUT IN TEHRAN 8971, ANSARY IS PROBABLY EXHIBITING THIS CONCERN. IT SHOULD ALSO BE NOTED, THOUGH, THAT THERE ARE SCORES OF SENIOR AND MIDDLE-LEVEL OFFICIALS OF NICO(AND OF MANY OTHER GOI ENTITIES) WHO DO NOT RELISH THE PROSPECT OF AN EXTENSIVE INVESTIGATION AND ARE PERFECTLY WILLING TO LET THINGS

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DRIFT.

5. REPORTS OF STRIKE AFFECTING NIOC/OSCO OPERATIONS, INCLUDING PRODUCTION AND OPERATIONS OF KHARG ISLAND EXPORT TERMINAL, WHICH HAVE BEEN CIRCULATING IN INDUSTRY CIRCLES IN TEHRAN(AND IN U.S. JUDGING FROM REFTEL) HAVE TENDED TO EXAGGERATE PRESENT AND SHORT-TERM IMPACT AND HAVE UNTIL YESTERDAY EXAGGERATED EXTENT OF WALK-OUT. THE STRIKE BEGAN ON SEPT 23 BY A FAIRLY SMALL NUMBER OF DAILY RATED EMPLOYEES (DRE'S) IN AHWAZ. HOWEVER, IT GRADULLY SPREAD AND BY YESTERDAY APPROXIMATELY 90 PERCENT OF DRE'S IN AHWAZ, AGHAJARI, GACHSARAN, AND KHARG ISLAND WERE PARTICIPATING IN WALK-OUT. OSCO MANAGEMENT WAS PRESENTED WITH A LIST OF 20 DEMANDS, INCLUDING BOTH SALARY AND FRINGE BENEFITS. HOWEVER, OSCO HAS TAKEN A RELATIVELY PASSIVE ROLE IN SUBSEQUENT NEGOTIATIONS, AND THE PRINCIPAL ACTORS HAVE BEEN THE LABOR MINISTRY, NIOC, SYNDICATES, AND UNOFFICAL REPS OF THE DRE'S. EVERYTHING WE HAVE HEARD INDICATES THAT THE WALK-OUT IS STRICTLY ECONOMICALLY MOTIVATED AND THAT THERE HAVE BEEN NO POLITICAL OVERTONES.

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O 281240Z SEP 78  
FM AMEMBASSY TEHRAN  
TO SECSTATE WASHDC IMMEDIATE 639

C O N F I D E N T I A L SECTION 2 OF 2 TEHRAN 9428

6. THERE HAVE BEEN SEVERAL NEGOTIATING MEETINGS BUT THERE HAS BEEN NO EVIDENCE OF PROGRESS. THE MINISTRY OF LABOR AND NIOC HAVE REPORTEDLY TAKEN THE LINE THAT EVERYTHING IS NEGOTIABLE BUT ONLY AFTER THE ILLEGAL STRIKE IS TERMINATED. WE UNDERSTAND THAT GOI NEGOTIATORS MADE A VAGUE THREAT YESTERDAY AGAINST DRE'S WHO DID NOT REPORT FOR ESSENTIAL JOBS (INCLUDING ALL JOBS ON KHARG) BY 2:00 P.M. THE SAME DAY--SEPT. 27. REPORTEDLY, A FEW REPORTED TO WORK LATE YESTERDAY AND THIS MORNING BUT COMPLIANCE WITH THE DEMAND TO RESUME WORK HAS BEEN SPOTTY AT BEST.

7. IT IS IMPOSSIBLE TO PREDICT THE LIKELY OUTCOME, BUT THE STRIKE HAS NIOC AND, REPORTEDLY, THE SHAH VERY NERVOUS; AND, THE WORKERS MAY ACHIEVE MANY OF THEIR GOALS.

8. THE WALK-OUT HAS THUS FAR HAD ALMOST NO IMPACT ON PRODUCTION OR EXPORTS. ONE SMALL FIELD (MANSURI WITH A CAPACITY OF 20MB/D) IS SHUT IN AS ARE TWO DESLTING PLANTS. AT KHARG, OPERATIONS ARE PROCEEDING NORMALLY. OSCO HAS TWO TUGS UNDER CONTRACT (NOT INVOLVED IN LABOR DISPUTE), IS OPERATING ONE OF ITS OWN TUGS  
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WITH STAFF, AND IS ENGAGING THE SERVICES OF A THIRD  
CONTRACT GUG TODAY. AS THE DEPT IS AWARE, OIL PRODUCTION  
AND THE OPERATION OF KHARG IS NOT LABOR INTENSIVE;  
AND, OSCO MANAGEMENT AND STAFF CAN CONTINUE FOR  
SOME TIME ON THEIR OWN WITHOUT GREATLY AFFECTING  
PRODUCTION/EXPORT LEVELS. NEVERTHELESS, MAINTAINANCE  
WILL SUFFER, ACCIDENTS ARE MORE LIKELY, DEVELOPMENTAL  
DRILLING AND THE ACTIVITIES OF WORK-OVER RIGS HAS  
STOPPED, ETC., ETC.; AND EVERYONE IS MOST ANXIOUS TO  
SEE THE DRE'S RETURN TO WORK.

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## Message Attributes

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